

## NORTH CAROLINA BONDS.

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JUNE 13, 1884.—Referred to the House Calendar and ordered to be printed.

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Mr. SMITH, from the Committee on Indian Affairs, submitted the following

### VIEWS OF THE MINORITY:

[To accompany bill H. R. 1154.]

*The Committee on Indian Affairs, to whom was referred House bill 1154, have had the same under consideration, and the minority submit the following report:*

The United States Government holds in trust for the Indians \$150,000 of the State bonds of North Carolina, issued to aid in the construction of the North Carolina Railroad, which mature as follows: \$121,000, April 1, 1885; \$28,000, October 1, 1886; and \$1,000, April 1, 1889. The bill aforesaid asks an abatement of \$240 on each \$1,000 bond, amounting in the aggregate to \$36,000. The abatement sought to be obtained is the interest for four years due on the said bonds. The Government has paid this interest as it matured, to the Indians.

As these bonds are about maturing, the proposition is not only to make the aforesaid abatement, but to extend the time for forty years without giving to the Government any additional security for this extension.

What guarantee has the Government that the interest on the new bonds will be paid? No increase of earnings from the railroad is predicted. Indeed the reverse may reasonably be inferred, otherwise such an assurance would have been vouchsafed in the report of the majority.

No security is given to the Government that the railroad company will keep its road in good order and repair, or in case of a second embarrassment will not give a preference to some favorite creditor.

If the new bonds become so valuable as is intimated by the majority, the State of North Carolina can readily negotiate them. Six per cent. bonds are always in demand. But the very fact that the State offers 6 per cent. is calculated to raise a suspicion as to the prompt payment of the interest or the principal. The great State of North Carolina, with its vast resources, ought not to pay 6 per cent. when other States borrow all that is needed at less than 4 per cent.

There is nothing in the past to encourage the hope that the interest in the future will be promptly paid. The security remains the same.

These bonds were issued in 1853, and as early as 1861 the State defaulted in the interest and proposed to fund the same into other bonds. The United States Government refused to accept of the funding acts, and by suit recovered the interest accrued between 1861 and 1869.

What was wise in regard to the matured interest would be equally wise as to the matured principal. Above all as these are trust bonds,

the United States Government should exercise unusual care to guard the same against loss. Its action should be strictly fiduciary and tend directly to promote the security of the fund belonging to its wards. The minority of the committee, therefore, cannot agree to make the abatement or extend the loan as proposed by the bill in question.

This conclusion is in harmony with the views of the Secretaries of the Treasury and of the Interior, as appears by the following letters hereto annexed and made part of this report.

A. HERR SMITH.

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DEPARTMENT OF THE INTERIOR,  
*Washington, March 8, 1884.*

SIR: In compliance with your verbal request, I transmit herewith certain copies of correspondence between this Department and the honorable Secretary of the Treasury, relative to a proposed exchange of North Carolina bonds held in trust for certain Indian tribes.

Very respectfully,

H. M. TELLER,  
*Secretary.*

Hon. A. HERR SMITH,  
*Of the Committee of Indian Affairs,  
House of Representatives.*

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DEPARTMENT OF THE INTERIOR,  
*Washington, November 14, 1883.*

SIR: I have the honor to transmit herewith a communication with its inclosures from Messrs. Davis, McGehee, and Bain, commissioners appointed by the governor of the State of North Carolina, under the act of the State legislature of March 14, 1879, to adjust and renew that portion of the State debt incurred to aid in the construction of the North Carolina Railroad, &c.

Certain Indian trust funds have heretofore been invested by the Secretary of the Interior as trustee in part, in bonds of the character described, and the Treasurer of the United States now holds, as custodian, \$150,000 of said bonds, which mature as follows: \$121,000, April 1, 1885; \$28,000, October 1, 1886; \$1,000, April 1, 1889.

The payment of interest on said bonds by the State is in arrears, but Congress annually appropriates the amount of the interest, and the payments of interest made by the State are covered into the Treasury to reimburse the United States.

In view of these facts, and also of the general features of the matter, I respectfully request that you will favor this Department with your views on the advisability, or otherwise, of complying with the proposition submitted in the within papers.

In connection with this matter your attention is respectfully invited to the law of April 1, 1880 (21 Stat., 70), which may or may not bear upon this particular question.

Very respectfully,

H. M. TELLER,  
*Secretary.*

The Hon. SECRETARY OF THE TREASURY.

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TREASURY DEPARTMENT,  
*December 8, 1883.*

SIR: In reply to your letter of the 14th ultimo, in regard to the proposition of the commissioners of the State of North Carolina, on behalf of said State, to exchange certain bonds of North Carolina, now held in trust for Indian tribes, for new bonds of the State authorized by the act of the legislature of March 14, 1879, I have to transmit herewith a letter from the assistant treasurer at New York, of the 6th instant (furnished in answer to an inquiry from this Department), the tenor of which is against the proposed exchange.

The papers accompanying your letter are herewith returned.

Very respectfully,

H. F. FRENCH,  
*Acting Secretary.*

Hon. H. M. TELLER,  
*Secretary of the Interior.*

DEPARTMENT OF THE INTERIOR,  
Washington, December 11, 1883.

GENTLEMEN: I have the honor to acknowledge receipt of your letter of the 29th of October, 1883, on the subject of exchanging old bonds of the State of North Carolina, in which certain Indian trust funds have heretofore been invested by the Secretary of the Interior, for new bonds, the issue of which is provided for in an act of the general assembly of that State, ratified March 14, 1879, entitled "An act to adjust and renew a portion of the State debt."

The portion of the State debt referred to appears by the act to be that portion incurred "to aid in the construction of the North Carolina Railroad." You state that you are informed that the Secretary holds more than \$140,000 of said bonds.

It appears by the records of this Department that of the \$192,000 North Carolina bonds purchased by the Secretary of the Interior, as trustee for certain Indian tribes, the greater portion is of the class issued by that State in aid of the construction of the North Carolina Railroad. It has not been considered necessary for the purposes of this reply to examine the bonds now in the hands of the Treasurer of the United States as custodian to ascertain the exact amount, but it is believed to be about \$147,000.

According to the provisions of the form of contract submitted, it is required "that the bondholders shall rebate to the State \$240 of interest on each bond delivered for renewal."

It further appears by the act of the general assembly referred to that the commissioners appointed thereunder to renew and adjust the debt shall receive, as compensation for their services, a commission of one-half of 1 per cent. on the amount of all bonds purchased by them, to be paid by the person or persons from whom the same may be purchased.

These conditions and requirements would entail a loss on the \$147,000 investment of over \$36,000.

As at present advised, if the matter presented no further obstacle, I do not think that it would be for the best interest of the service to accede to your proposition to exchange the old bonds for those of the new issue.

The rebate of interest required is for the four years from 1878 to 1882. By reason of the default of the State in the regular and prompt payment of the interest on the bonds, Congress has for some time past made annual appropriations of the necessary amounts in order that the Indian tribes may not suffer, nor lack the means for support of their institutions depending upon the revenue derived from their invested funds.

After such appropriations by Congress all payments of back interest made by the States are covered into the Treasury to reimburse the United States.

The interest due and remaining unpaid by the State is therefore virtually money due the United States.

In view of this fact, if the proposition were considered otherwise favorable, I am in doubt whether it would be proper for the Secretary of the Interior to exercise the powers conferred upon him by law regarding the investment of Indian trust funds to make the exchange of the bonds suggested without the grant of special legislative authority therefor by Congress.

Very respectfully,

H. M. TELLER,  
*Secretary.*

Messrs. GEO. DAVIS, M. MCGHEE, and D. W. BAIN,  
*Commissioners, &c., Raleigh, N. C.*